6

Organisational design

6.1 The setting

Fiscal pressures and the impacts of complex policy problems have led to a variety of responses from governments around the globe. In Australia's case, government and public service responses have included a focus on joining up services across and within departmental boundaries, the creation of super-departments (to internalise the coordination problems), the use of a variety of task forces, and the placement of 'commissioners' and 'ombudsmen' in the bureaucracy to build greater cohesion and urgency into service delivery. The government response to fiscal pressures has been to target smaller and more efficient government through a reduction in public service numbers, de-layering the public service, the establishment of shared back-office facilities, and to search for greater efficiencies through contestability and outsourcing.

In previous chapters I have canvassed independent opinion (academic, parliamentary, audit global and local) to form a view about government performance and, in particular, the contribution of the public service. Reflecting the views canvassed, the challenge confronting the public service can be described as a substantial performance gap across the related areas of coordination – within and across departments as well as across sectoral boundaries – along with performance measurement and governance.

The quantity and quality of policy advice provided to governments can reasonably be added to this list, given the progressive degradation of this central – at least in historical terms – public service capability.[1]

In addition, the associated academic literature points to the source of problems not simply lying with implementation and capability shortfalls, but in more fundamental structural and strategic management problems with the organisation of the public service. One such example, identified in Chapter 5, is the contribution to organisational leadership arising from an undue reliance on individual skills at the expense of an organisational, structural, contribution. Organisational leadership derives from structure, process, and dedicated resources along with the leadership derived from individuals in their respective roles. The following chapters address the public service performance challenge as a top-down challenge, viewing it in terms of a combination of organisational strategy and structure, and necessarily drawing heavily on the private sector literature in these closely related fields.

Reviewing the academic literature on organisation is no easy task. There is an almost boundless body of literature that addresses matters such as the establishment of formal structures; the alternative organisational forms; the determination of 'the right' span of control; the number of organisational layers; the creation of a suitable organisational culture; and the creation of roles, position descriptions, and formal reporting relationships. There is also an associated extensive literature on organisational behaviour and conduct.

There are, nonetheless, features of the organisation of the business of government, both formal and informal, that narrow the field. My interest in 'organisation' lies in the choices made in the act of organising, the relationships established between different organisational functions, the behaviour that follows, and the impacts on performance. My starting

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1   The powerful Australian Parliamentary Joint Committee of Public Accounts and Audit launched an inquiry (December 2017) into Australian Government spending on consultants, contractors, and labour hire following the earlier release of an information report by the Australian National Audit Office (ANAO) highlighting the growth in spending on contractors and the use of consultancy firms in circumstances where the public service was deemed not to have the skills to meet consultancy brief requirements (ANAO 2017a). On 11 April 2019, Senator JCPAA Chair Dean Smith issued a statement advising that the committee had decided not to issue a report.

point within this (still) broad field lies with organisational structures; the primary lens through which I examine the design of fit-for-purpose public sector organisational structures is one of strategy and performance.

Whilst the literature on private sector organisational design is extensive, there is much less on the subject of public sector organisational design and strategy, and even less on the linkages between structure and strategy. In summarising the position on these important issues, Geoff Mulgan points to the radically different challenges facing public agencies (2009, p 22), the limitations of public sector organisation theory in making predictive statements (p 107), and the absence of a single formula for organising strategy in public organisations (p 3). He does, however, argue that governments must have strategies (p 3), and that strategy and structure need to be aligned (p 107), noting that, in the public sector, strategies often follow structures and that 'All too often fiddling with departments and agencies gets in the way of achieving results' (p 106).

When, however, it comes to the role of the public service in government, there is even less instructive literature. Whether it is Mulgan or Mark Moore, the focus of discussion of public sector activities is invariably on the whole of government, embracing both the political and administrative arms of government, either explicitly or implicitly (Mulgan 2009; Moore 2000). A discussion of strategy becomes one of the practice of government and description of the actors, with such terms as 'public officials' enabling the authors to embrace any or all of the elected officials and bureaucrats in their discussions.

The failure to make these distinctions devalues otherwise sharp analysis because of the different roles played by the two. It can also change the focus of analysis of the business of government because of the different playing fields. The notion of competitive advantage at the whole-of-government level is most likely to be one related to competition for territory and resources with other jurisdictions (even competition with taxpayers as to who spends their dollars), whilst for the public service it should be one of competition both for territory and influence with other entities within the single jurisdiction of government. Similarly, answers to the question of how best to organise may well differ depending on whether the focus is organising on a whole-of-government basis, for public corporations, or for the public service. Moreover, it is a legitimate academic pursuit to

consider public service strategy and structure across many levels of activity within the economy, both within and across entity lines, while being clear about the boundaries of analysis.

The following discussion treats the whole of the public service as 'the organisation', being interested in the way in which the public service interacts with its customers and competitors. This involves the internal architecture of public service organisation and the rationale for the manner in which the boundaries are drawn between the various parts. My approach is to conceive of the Australian Public Service (APS) both as a single organisation, and as a set of separate operating units (departments), tied together by a common purpose, and administrative systems and procedures and variously overseen and/or driven by 'a centre'.

6.2 The role of organisational structure

The organisation of any business has many elements to it, one of which is the choice of the formal organisational structures.[2] Their importance lies in the fact that they make a number of statements about the goals of an organisation and how to achieve them. These include:

- First and foremost, structures provide the vehicle through which strategy is executed on the one hand, and the framework by which resources are deployed and managed and activities are accounted for, on the other.
- When viewed in hierarchical terms, organisational structures are an expression of the relative importance of their constituent functions and activities, and the resultant structures should be seen as the result of moderation of the various claims of these functions and activities for organisational leadership.

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2   The English language is usually rich in alternative descriptions of similar circumstances but one situation where it is less so lies with the use of the word 'organisation'. Dictionaries typically list three standard uses, namely the act or instance of organising, an organised body, and systematic arrangement (Moore 1999). In this context, the primary use of the term lies with its structural meaning, as in organisational structures. The term is, however, also useful as a description of the process of building and managing a business, as in organising the business. Then there is the third meaning of any business, indeed the public service, as an organisation. I have tried to make the context of use clear so as not to diminish the clarity of interpretation of this useful word.

- They importantly condition both the internal behaviour of an organisation, and the manner in which it interacts with its external environment (its conduct).
- When viewed as an adjudication of the competing claims for resources, structures also determine the economies and dis-economies of size that the constituent functions can contribute to organisational efficiency.
- Viewed in efficiency terms, organisational structures can be considered as an optimal number of layers and span of control.
- When viewed in effectiveness terms, structures and their embedded administrative processes give effect to strategy and enable the management and oversight of organisational performance.
- Organisational structures also house the administrative systems designed to give effect to measurements of organisational performance and enable good governance.

Organisational structures play many roles. The particular value of setting the analysis of organisational structures within a strategic framework is that it encourages better understanding of organisational design options, for the organisational literature provides a plethora of models, including structural models, models of conduct and behaviour, some holistic many partial, some static, some dynamic, contributed by a wide range of disciplines. Many of these models emphasise the importance of context in framing an analysis of the organisational dimensions of the public service.

A strategic approach also helps to understand the causes and consequences of making choices. The causes can be viewed through the linkages between the structures and the strategy that they are expected to execute; the consequences can be seen through the impact on organisational performance. An absence of discernible strategy, an inability to capture (and manage) the major dimensions of performance, a mismatch between strategy and structures, or of the structures and the performance measures embedded in the administrative systems, will inevitably promote poor performance.

Focus – on the separate elements of strategy and structure and their interaction – receives very little attention in either of the academic literature or public discussion of government and public service performance. All too often the public service is viewed only as part of 'government', often lumped in with the rest of 'the public sector', rather than being viewed as an independent body established under its own Act of parliament with multiple constituencies to serve. Yet in the context of

the history of corporate performance, organisational structure is seen to be a critical enabling, indeed determining, factor both in responding to and shaping the corporate operating environment. My focus on strategy in a public service context views its contribution as determining the business that the public service is engaged in, the way in which the totality of its activities is translated into a set of interlinked building blocks, and then arranged in a manner focused on meeting the organisation's goals.

That is not to say that I do regard the other parts of the business system – goals, operating environment, organisational capabilities, administrative systems, organisational conduct and behaviour – as unimportant. These are each important elements in determining organisational performance, but it is the organisational purpose embedded in its strategy that is the glue that holds these elements together and which provides the foundation for consistent organisational decision-making across all levels. Moreover, stepping back from the day-to-day activities of the public service enables consideration of alternative organisational structures against the required tasks, processes, responsibilities and accountabilities of the public sector.

It prompts the question of whether the public service should be conceived as: simply a set of highly routinised activities, hierarchically arranged and managed as a Weberian style bureaucracy; a set of functions or programs sharing an interest in delivering products and services to a common group of customers; or a set of independent businesses (departments), each with its own (complete) structure with limited central oversight. Stepping back also allows consideration of the factors that should determine the operating boundaries between the various businesses and whether the same factors that determine whole-of-public-service organisational design are equally suitable for departmental design. Depending on the conception of the business of the public service, different leadership and control models might be appropriate.

Of additional interest is the concept of organisational structure as a living entity, responding to an ever-changing environment in order to meet organisational goals. My interest in structures is not so much about the (static) layering of an organisation and the span of control, as to how the bits of an organisation fit together and function effectively, having regard to the required external interface determined by the organisation's strategy, and how the organisation adapts to changes in its operating environment. Structures play a critical role in this regard, making a statement about the respective functions' importance, and both in

formally recognising the necessary capabilities to achieve this adaptation, and in establishing the information and decision flows that determine how an organisation learns and responds to its environment. Notions of exploration and exploitation, stability and agility, innovation, and the organisational forms to give effect to them, are relevant in this context.

There is a broad range of important features of the environment within which the public service operates including: the institutional setting; the impact of a changing fiscal environment; the performance of governments; the political environment; and the causes, effects and legacies of past successes and failures. It is necessary to recognise the role and importance of context in describing organisational options, while not unnecessarily using this recognition to constrain these options to those consistent with path dependency.[3]

6.3 Organisational change in the public service

During the 20th century, the multi-divisional organisational form became the structure of choice for large American and European companies, replacing holding company and functionally organised company structures as the dominant corporate structure. It was (and still is) especially well suited to companies with a diversity of products and markets for the cost-based and strategic management advantages it confers. The three major benefits that this organisational form brought to the private sector included the economies of scale arising from consolidating divisional requirements at a whole-of-organisation ('corporate') level, including materials purchasing, capital raising and management, and risk; the active creation of synergies across the operating divisions; and an expansion of the organisational capacity to 'lead', with the establishment of a corporate headquarters with a CEO unencumbered by daily operations and dedicated divisional support. Three further advances in the corporate management field enhanced these advantages, the first being a growing awareness of the proper functions of management enabled by the establishment of a corporate headquarters (a point made by Graham

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3   It is difficult to view options for improved performance in other than path-dependent terms if the solution to operational problems is seen only in operational terms. It is necessary to view these problems in terms of organisational purpose, or strategy at least; i.e. change the definition of the problem if non–path dependent alternatives are to be identified.

Allison and noted earlier), the second being advances in cost accounting and overhead allocation, and the third, the development of the field of corporate governance.

Only limited organisational change has occurred in the APS over the last 30 or so years. While the multi-divisional corporate form was one of the pillars of the New Public Management (NPM) reforms, the major reforms were made around this structure – tweaking it rather than changing it to better align private sector interests with governments. Some organisational change was necessitated by the introduction of contestability and outsourcing programs, and use of the policy–provider split, but these impacts on organisational structures were relatively minor. Similarly, the introduction of output budgeting along with designation of departmental heads as CEOs was focused on vertical accountability rather than organisational change.

Even looking more broadly beyond the governing structures (markets, hierarchies and networks) to the content of the respective models of governance (traditional public administration, NPM, joined-up government, networked government, and anarchic governance), to the structures resulting from the overall manner in which the totality of public service tasks has been allocated over the last 30 or so years, reveals limited change. There has certainly been the introduction of executive agencies and super-departments, but undeniably one of the more enduring features of public sector management around the globe over the last century has been the relative rigidity in public sector structures in the face of many decades of change in the private sector. Academic commentators looking back at the evolution of models of governance in the public sector since the NPM revolution continue to note that endeavours to 'join-up' government, and deliver whole-of-government responses to today's public problems invariably take place alongside traditional bureaucratic structures. But perhaps the solution lies in another direction?

At first sight it is odd that there has been little high-level organisational change in the public service when private sector history suggests substantial change, and when both public and private sectors are subject to the same changing economic and social pressures. These pressures occur, for example, in the form of bottom-line pressures in businesses and the companion budgetary pressures in public administration during economic slowdowns, and the growing community pressures for involvement and transparency in the activities of businesses and governments that help shape their citizens' lives. Indeed, it may be that effective

organisational change has been achieved by stealth in the public sector through an expanding toolkit of accompanying informal organisational arrangements and behaviours, as evidenced by increased use of task forces, 'commissioners', ombudsmen and tools such as matrix management allied with the networking of other players into formerly closed organisational processes. Looking beyond structural change, then, makes it possible to observe other important change in areas such as boundary management, with greater porosity required in a world of (more) open government and networking. The associated behavioural change involved with loosening organisational boundaries may well have an impact on operations as large as any structural change.

In order to reach a conclusion about the nature and impacts of organisational change, it is necessary to distinguish between changes to the whole organisation and changes to the individual operating units. The primary changes in private sector structures have occurred around the organising framework for the totality of business units, rather than within the individual operating units themselves. This has involved the addition of substantial dedicated capacity in the form of a corporate head office designed to create and capture benefits from the aggregation of a number of separate businesses. Below this level the various business units might themselves be organised in any number of complementary forms. One might describe this as a strategy of integration built around markets, and a logical step in the development of overarching corporate structures evolving from the functionally organised form, through the investment or holding company, through to the multi-divisionalised form. The latter moving first through the vertical phase (cascading benefits from corporate to divisional levels), to the horizontal phase (creation of synergies across business units).

Yet, if integration for the purposes of extracting benefits can be observed as the underlying rationale for corporate developments, the opposite has been the case for the public service. Where structural change built on integration has produced substantial productivity gains for the private sector as a whole, degradation of this integrating capacity and consequent fragmentation marks the comparative history of public service organisation, including degradation of the capacity of the centre (and partial distribution of its functions to the departments), and the devolution of responsibility to departments.

The other observable difference between the two is the move towards super-departments, a change that has no direct parallel in the private sector. The drivers for this change are twofold, the one being the elusive benefits driven by shared back-office facilities underpinned by the opportunity to rationalise the multitude of legacy systems within and across the former departments; the other being the failure of some decades of attempts to 'join-up' government and deliver solutions to the Australian public.

This change has been more noticeable at the state than federal level. In Victoria, for example, it has led to public administration being consolidated into seven departments. Moreover, in this process, a number of departments have not had their traditional boundaries changed – for example, Premier and Cabinet, Treasury and Finance, Education and Training – but several large aggregated departments have been created, namely Health and Human Services; and Economic Development, Jobs, Transport and Resources, this latter department supporting nine ministers and 14 portfolios with an ambit that in previous governments would most likely have been allocated across six separate departments.

Of course, aggregating departments with similar objectives but different tools and domains is no guarantee that expected benefits – in customer focus, communications, back-office systems rationalisation, and staff numbers – will be realised.

It might be observed that a parallel exists with growth by merger and acquisition in the private sector seeking synergies between the businesses. Evidence to support this hypothesis lies within these super-departments, represented by the processes put in train to secure such synergies. The golden age of mergers and acquisitions in the private sector, however, is some decades back and differences between the sectors can illuminate differences in timing.

Moreover, the accumulating evidence suggests that past models of governance changes have not delivered the improvements in public service cooperation and collaborative endeavours sought and that capturing the potential benefits of rationalisation and scale is no easy road to hoe. Of itself, aggregation does not solve the problems of converting services into solutions. Creating the conditions for more internal and external collegiate behaviour, and the necessary interactions to deliver and capture the benefits, remains an elusive challenge.

Several points from this brief discussion of the history of organisational change in the public service and its impacts on organisational performance are important from a public policy standpoint. The first is that there is an absence of strategy, even observable rationale, to the various organisational developments. If one might, ex post, attribute some linearity to the changes, it would be the growing reliance on the individual department to resolve its own problems, many of which are common to the public service. It remains an interesting research question whether public service coordination problems are more easily addressed with fewer (bigger) or more (smaller) departments to coordinate, and the conditions under which either might be preferred. From the top, fewer (bigger) might look easier, but I wonder what the results are like on the ground.

There are at least two issues here, the first is the absence of suitable management models to work with, and the second is the suitability of the underlying skill set of public servants. Evidence of the former is the continuing flow of academic literature exploring the need for new management approaches to address underlying management problems. In comparing models – such as 'competitive', 'authoritative', and 'collaborative' – academic agreement indicates that collaboration is the way of the future, however, this literature is at an early stage of development focusing on management paradigms and is not yet able to describe the decision-making model that gives effect to a continuous flow of successful collaborations across the public service, nor to the sources of new-found skills and collegiate intent that give rise to it.[4]

Argument for the latter – a deficiency in public service skills – is provided by Mulgan, who points out that the training of public servants in the disciplines that dominate the staffing of most public service departments misses out on the skills to understand how complex systems work. This concern is accompanied by his observation that the future is likely to bring more pressure to join-up government through a growing mix of horizontal and vertical structures (Mulgan 2009, Chapter 10 esp p 193 ff).

If this discussion suggests that there are unanswered questions – about the consequences of public service fragmentation (and the value of an integrative approach), and the development of new organisational and management models – then two further points follow the same line.

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4   See, for example, the discussion of collaboration in Bommert who notes a number of shortcomings of this literature (Bommert 2010).

One area of common focus, and one in which there is little systematic evidence available on which to form a view, is the impact of size on organisational efficiency, a particularly pertinent issue in the presence of the fashion for super-departments, and the projected impacts of dis-economies of size.

Oliver Williamson has identified substantial a priori reasons for concern with this fashion. He attributes the capacity of the modern corporation to reinvent itself through organisational change as a means of escaping the inevitable inefficiencies arising from size. These inefficiencies stem from bureaucratic disabilities, in particular what Williamson characterised as control loss (the degrading of information as it moved through an increasing number of organisational layers), and sub-goal pursuit (the opportunity for individual managers to pursue their own goals in this context) (Williamson 1970).

What Williamson saw as distinctive about his theory was the corporation's capacity to avoid, but never completely escape, the growing size-based efficiency losses through changes in organisational form with the accompanying development of a strong and leading headquarters. As the bureaucratic disabilities Williamson noted are common to both public and private bureaucracies, and there is no evidence of similar organisational change in the public sector, the question is whether the public sector has somehow escaped these shackles through other means, or whether it is unknowingly suffering from severe indigestion associated with 'bureaucratic disabilities'. Williamson's theorising suggests that the prevailing public sector approach – of increasing operating unit size – could bring with it a substantial price in organisational efficiency terms even if there were some effectiveness gains secured. There is a discernible trend to establish super-departments and, in the absence of published data, scepticism about the motives and benefits associated with such amalgamations is justified.

The final point in this summary notes the impacts of organisational change as an important area where the limitations of our knowledge constrains the capacity of the public service to adjust to contextual change. I have noted some parliamentary interest in this issue in the United Kingdom

and Victoria,[5] and I have also pointed to the Australian Public Service Commission (APSC) commentary in its *State of the service report 2013–14* indicating a high level of impact on the public service from the machinery of government changes associated with the election of Tony Abbott as prime minister in 2013.

The history of organisational change in the public service suggests no discernible efficiency-based rationale for the mixture of machinery-of-government changes and departmentally inspired restructurings. Relative to both its own history and the growing challenge to integrate activities – to join-up and network – the position of today's organisation of the public service is divided and lacking unity.

The question is whether there is a better way to organise. An examination of organisational design developments in the private sector provides a sense of the issues being addressed, along with the resultant structures.

6.4 Organisational design in the private sector

6.4.1 Themes in organisational design: Lam

6.4.1.1 One best way to organise

As described by Alice Lam, the classical theory of organisational design in the 20th century was preoccupied with the notion of 'one best way to organise'. The work of Max Weber on bureaucracy and Alfred Chandler on the multi-divisional form were most influential in their respective domains. During the 1960s and 1970s, however, the assumption of one best way was challenged by research into private sector organisation that related the organisational form to the context within which it operated. Key contextual factors were identified to include scale, scope, technology,

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5   Following the publication of a Victorian Government Parliamentary Committee report in May 2016 into the costs and benefits of the substantial machinery-of-government changes that occurred following the November 2014 state election, the Department of Treasury and Finance published an operating guide (Nov 2016) for affected agencies. It is a process-driven document with a 100-day plan to establish a new entity, but no discussion of capturing the costs and benefits after the event, let alone building a business case before the event, despite the recommendations of the Parliamentary Committee (Parliament of Victoria 2016b).

and environment, and the evolving views of context and structure saw more adaptive and flexible structures developed. This is the first theme drawn from Lam's survey (Lam 2005).

6.4.1.2 Organisational integration

A second theme to emerge from this literature is that of organisational integration. The field of industrial organisation examines the relationship between industry structure and organisational performance. It sees individual organisational structure as both a cause and effect of managerial choice and as part of a whole-of-organisation strategy to compete effectively in its chosen environment. The organisational integration hypothesis directs our attention to the internal cohesiveness of the firm as a critical determinant of corporate strategy and innovative performance. This discussion of organisational integration offers useful insights into the public sector where building integrated networks and integration capabilities to confront complex problems is seen to be a critical element of the effective response to these problems.

6.4.1.3 Organisational networks

A third theme involves the growing literature on networks that shifts the primary focus of enquiry away from formal to informal structures, organisational processes, relationships, and organisational boundaries. Much of this contribution comes from the field of economics initiated by the work of Ronald Coase on the boundaries of the firm and the subsequent development of the field of transaction costs as an explanator of organisational boundaries (Coase 1937). The importance of these concepts – of organisational boundaries and transaction costs – is that they encourage an expansive view of 'the organisation' as one having access to an array of resources, not just those employed internally, and with more fluid boundaries. This array includes relationships with external organisations covering a broad range of activities – such as partnerships, professional associations, pre-competitive research arrangements, benchmarking, risk-sharing, industry development and collaborations. In some theories, these external resources are seen as sufficiently important to replace the concept of organisational capabilities with that of resources = capabilities + networks. Clearly, such organisations are more open to the external environment, which particularly suits industries facing continuous change, little in the way of fixed assets, and constituent firms competing on the basis of a transient competitive advantage.

6.4.1.4 Organisational cognition and learning

A fourth theme – based on a stream of research on organisational cognition and learning – focuses on internal processes, seeing the organisation as one that learns, acquires and creates knowledge. It is a multi-dimensional field of study regarding the acquisition, processing, creation, and application of knowledge within the organisation. Whilst much of this research focuses on the mental models – individual and collective – used to process information, an important part focuses on its acquisition and the porosity of the organisation's boundaries particularly in the context of learning, and the impact of structures on an organisation's capacity to 'learn'.

One stream of this literature focuses on the way in which organisations adapt to their environments. A recurring theme is the need to balance the forces of continuity and change. The architecture of the firm can be described as a combination of rules/routines/processes: skill sets and core competencies, hierarchies and structures, built around notions of competitive advantage and/or efficiency/effectiveness. The success of an organisation then derives from the standardisation and routinisation of basic organisational processes whilst simultaneously being able to capture and embed changes in the external environment into these routines/rules/processes. A number of similar and complementary solutions to this challenge are identified, including the need to balance exploitation with exploration (March 1991), the division of strategy into deliberate and emergent (Mintzberg & Waters 1985), organisational ambidexterity (Tushman & O'Reilly 1996; O'Rielly & Tushman 2013), a focus on the design of business (Martin 2009) and, more recently, transient advantage (as opposed to sustainable competitive advantage) (McGrath 2013).

Another stream of this same literature focuses on organisational inertia. One subset sees organisations that respond slowly to environmental change as being dominated by organisational inertia. The second strand builds on this and sees organisational transformation as discontinuous and occurring in a short period of time. The third perspective, which Lam describes as strategic adaptation, sees the interplay between organisation and environment as two-way, stressing the role of management and learning and the importance of continuous change and adaptation in coping with environmental turbulence and uncertainty. Achieving this balance is one of the prime duties of corporate headquarters outlined by Henry Mintzberg (what Rita McGrath describes as 'achieving the balance between agility and stability').

A particularly important component of the process of strategic adaptation is the acquisition and use of market intelligence. Over the last two decades there has been rapid private sector growth in the acquisition and application of 'business intelligence' fuelled by the development of electronic data-processing systems. This in turn has supported the notion of organisational knowledge management and an examination of the merits of different acquisition and processing systems – for example, the codified electronically stored system as opposed to the personalised, shared system relying more on social interaction for transmission. Another interesting recent development examines the strategy of global exploitation of local knowledge, which underpins the work on 'meta-nationals', a concept that is immediately relevant to the public service in terms of how to identify, capture, and multiply best practice across such a large organisation (Doz et al. 2001).

In keeping with the corporate strategy literature, a further distinction can be drawn between corporate (whole-of-organisation/whole-of-public-service) and business (divisional/departmental) intelligence. This distinction is relevant to an examination of the two-way relationship between the external environment and organisational structures. It is important to understand how an organisation translates strategy into structure and activity on the ground on the one hand, and filters market intelligence up the organisational tree to influence strategy. It also requires acknowledgement of the distinctive capabilities (core competences) required to develop and implement strategy (Hamel & Prahalad 1994).

Finally, a discussion of organisational learning and management needs to acknowledge the role of the board. In introducing the notion of the learning board to the discussion of corporate governance, Bob Garratt visualises the role of the board of directors as a point of convergence between two pyramids: the executive system of day-to-day management faces upwards towards the board, the other is an inverted pyramid that represents the outside world influences comprising trends, uncertainties, and disruptions, focused on the board. As described, the point of convergence is the board, responsible as it is for the immediate and long-term health of the business.

Garratt both coined the term and presents this notion of 'the learning board' in the context of the board role being to provide momentum, leadership, and movement, balanced with prudent control of the daily operations of the business (2010, p 33). As such, it is the board that is

responsible for governance and strategy.[6] When viewed in this setting, it is not difficult to understand why Garratt emphasises the clear differences between board and management roles, the diversity of experiences and skill sets that successful boards require, and the difficulties of single individuals occupying both CEO and board chairman roles.

This broad stream of literature on organisational learning, which might be viewed holistically as an organisation negotiating with its environment, is also important because it acknowledges the need for an organisation to simultaneously exploit the competences that provide a competitive advantage in its chosen marketplace but remain open to the development of new competences (and the dismantling of old!) in relation to a changing external environment. One way of viewing the overall challenge is of the need to find ways in which order and chaos can profitably coexist and be converted into a set of integrated organisational responses on an ongoing basis. Developing structures and capabilities to cope with continuous organisational change, rather than seeing change as a discontinuous set of projects, is key to organisational success in such a fluid environment.

6.4.1.5 Inter- and intra-organisational collaboration

The fifth theme points to important differences between public and private sectors. Widely practised in the private sector to the point where it might reasonably be regarded as a core component of corporate strategy, inter-organisational collaboration comes in many shapes and sizes. These range from research consortia, joint ventures, strategic alliances and subcontracting, and span a wide range of functions and business processes. In turn, these collaborations range from networks deep in trust with close ties to those with weak ties that provide limited access. These various forms of inter-organisational cooperation are well developed in the private sector but less so in the public sector, which continues to discover the benefits of networking.

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6   Interestingly, and again in the context of a discussion of the role of the board, Garratt draws a distinction between the board's role in policy formation and the development of strategy. He identifies policy as the highest level of organisational thought and action to achieve fundamental organisational purpose, describing it as concerning the political will of the organisation in relation to its ever-changing external environment. He describes strategy as the deployment of scarce resources to achieve organisational purpose and within the established policy framework. Without pursuing Garratt's distinction, I continue to raise the matter of board value-added in the public service context.

The observation of the many challenges of effective intra-public service cooperation, whether across multiple departmental lines in program delivery, or amongst central agencies in the provision of strategic direction, has been accompanied by a rapid expansion in theoretical research as to 'how to', but is yet to be followed by applied research assessing the merits of proposed solutions. Research into the governance of these organisational forms and networks may well in time offer insights into the prevailing problems of collaboration faced in the public sector. Such research should recognise the distinction between traditional (Weberian) coordination, and the collaboration that dominates today's academic discussions of public service teamwork. The literature on collaborative innovation, which seeks to develop models of public sector collaboration is the most developed form of the latter, an important part of which sees this form of innovation as the way ahead for a public sector struggling to maintain connection with its environment (Hartley 2005; Bommert 2010; Sørensen & Torfing 2011, 2012; Hartley, Sørensen & Torfing 2013; Lægreid et al. 2013). The risk is that a focus on collaboration rather than coordination risks reducing the 'solution' to a set of projects at the expense of focusing on the whole-of-public-service culture, with the benefits that might bring over time.

6.4.1.6 Organisational size and efficiency

The sixth and final theme from Lam's survey is the relationship between organisational size, age and efficiency. A set of issues outlined by Lam and developed by Mintzberg and Williamson can be considered in the context of the optimal size of the public sector as an aggregate entity and in terms of its component parts and boundaries. Mintzberg (1979) proposed that, as organisations aged, they became more rigid and hierarchical, whilst Williamson (1970) noted the diseconomies of scale associated with control loss and managerial discretion.

This theorising raises concerns about the organisational efficiency of public service activities given the scale and longevity of the structures employed. Given recent fiscal pressures on the public sector and the creation of super-departments to enable back-office economies to be more readily captured and the building of a customer-driven focus, more efficiency (inputs/ costs) and more effectiveness (outputs/benefits) result. Unfortunately, as noted earlier, one area of public sector activity in which governance is especially weak is in structural change. There is little 'evidence' to base

judgements upon, other than a regular list of concerns about the decision-making and implementation processes, and a lack of government interest in tracking the costs (or benefits).

In addition, a stream of audit reports at state, national, and international level casts doubt on the capacity of the public sector to capture targeted benefits from, for example, consolidated information technology–based activities. These conclusions are supported by recent research into three decades of reform and change in the UK central government, which concluded that information technology costs continued to rise over a long period, despite the advances of technology and the consolidation of operations (Hood & Dixon 2015). This broad subject is beyond the boundaries of this book but continues to lie in the background.

Table 6.1 Themes in private sector organisational design

Theme	Public sector relevance
1. One best way to organise	The dominant 20th-century structure for the public service has remained intact into the 21st century in the face of substantial private sector organisational change. Some change at the margin with super-departments and executive agencies.
2. Organisational integration	Achieving whole-of-public-service cohesion is important following the NPM fragmentation and emergence of wicked problems. Coordination, collaboration, strategy and structure all-important for one public service, along with culture.
3. Networks	The growth in networked policy advice and service provision encourages a focus on organisational boundaries and management of the external interface as well as on accountability mechanisms.
4. Organisational cognition, learning and adaptation	Fiscal pressures and social change make it important to build adaptive systems and capabilities and structures. Market intelligence, organisational memory, porosity of organisational boundaries, design thinking, and a career public service are all key features of this element.
5. Inter-and intra-organisational collaboration	So-called horizontal strategy or intra-organisational strategy is a core component of corporate strategy but seems poorly understood in the public sector. Strengthening strategic and operating linkages between government departments and external parties is important to the future of the public service.
6. Organisational size and efficiency	As size of government is largely a given in any jurisdiction, the real question is the impact on efficiency of the way in which the parts are conceived and assembled. There are important effectiveness, efficiency, and strategic management considerations that follow.

6.4.1.7 Drivers that emerge

Over the last two decades, the number one organisational problem addressed in the academic literature relating to public sector management is organisational design, and in the business strategy literature has been the management challenge of coping with change. In the public sector literature, the development of management models for collaborative innovation has been matched by a focus in the organisational literature on the simultaneous exploitation of existing competitive advantage alongside the exploration of new advantage. In the strategy literature, the focus has been on the emergence of design thinking and innovation as central to effective strategy, and development of the notion of transient advantage as a prospective replacement for sustainable advantage.

The core of the organisational response to this new perception of the operating environment – described by McGrath (2013, p xi) in terms of the need for executives to learn how to exploit short-lived opportunities with speed and decisiveness in volatile and uncertain environments – is the ambidextrous organisation. The modern origin of this concept lies with a seminal paper published by James March (1991) in which he made a number of observations, some counterintuitive, that are accepted today as conventional wisdom. March pointed to the central concern of studies as adaptive organisational processes, being the relation between the exploitation of certainties and the exploration of new possibilities. Adaptive systems that engage in one to the exclusion of the other are likely to find themselves with either too many undeveloped ideas or trapped in a sub-optimal stable equilibrium. The challenge is to maintain an appropriate balance.

In surveying the established literature, March pointed to the organisational tendency to build capability faster in exploitation than exploration and reward it accordingly, making adaptive processes potentially self-defeating. March then went on to model the conditions under which an appropriate balance might be achieved between the two, exploring the impact of factors such as the diversity of beliefs and knowledge between individuals, the gap between individual beliefs and the organisational code, the rate of organisational learning, along with the impacts of heterogeneity of learning rates amongst individuals, personnel turnover, and an organisation's competitive positioning. The conclusions drawn from his research point to the benefits of maintaining a diversity of views

within an organisation – an organisation that is homogeneous in its thinking can very quickly run out of ideas and competitiveness –especially in a context of environmental turbulence.

While March did not address the organisational consequences of his findings, his research was followed by Michael Tushman and Charles O'Reilly (1996), who built on one of March's foundational insights: that different organisational structures are associated with different strategies and environmental conditions. Tushman and O'Reilly proposed that organisational ambidexterity – defined as the ability to simultaneously pursue both incremental and discontinuous innovation involving multiple contradictory structures, processes, and cultures within the same firm, was required for long-term survival. In doing so they challenged the academic wisdom of the time whereby organisations needed to shift structures to initiate and execute innovation (Tushman & O'Reilly 1996). Their proposal built on March's idea that organisations needed to simultaneously exploit their established competitive position and explore new options.

In a 2013 review of the then current state of research in the field following an explosion of interest over the previous 15 years, Tushman and O'Reilly noted broad-based confirmation of the concept along with further areas for research (O'Reilly & Tushman 2013). In doing so, they confirmed four points in line with their original conception of organisational ambidexterity: (1) that the focus of the original concept was the need for management to resolve organisational tensions, (2) that, above all, it was seen as a leadership challenge, (3) that the business challenge was one of leveraging existing assets to create new ones, and (4) that the resolution of the challenge should be viewed in terms of building new organisational capabilities.

They concluded that organisational ambidexterity had been positively linked with firm performance in terms of innovation, financial results and survival across a broad range of studies and methodologies. They also noted that the ambidexterity toolkit had been expanded to include structural options – simultaneous and sequential ambidexterity, and what is described as contextual ambidexterity, where the allocation of organisational resources to exploration is left up to individuals across the organisation.

In noting the different forms and definitions applied to the concept – but a strong body of empirical evidence supporting the broad concept – Tushmann and O'Reilly highlight the importance of context. This is an important issue because there are distinctive features of the markets within which the public service operates that need to be observed. In particular, Tushman and O'Reilly note that a simultaneous approach may be more useful in dynamic markets, or where there is a long history in a particular market, whilst stable environments organisations may be able to afford a sequential approach. What these authors, along with Bason, Martin and McGrath, argue, is that change needs to be built into an organisation's DNA. However described, it remains an activity that must be established, organised, guided, and driven from the top, even if the bulk of the activity takes place down the line at divisional level and much of it at the customer interface. The location of the bulk of activity should be considered as distinct from its oversight.

It should also be noted that this growing inter-disciplinary literature on organisational adaption is demanding of more rather than less central leadership, planning and supervision. It is clearly a headquarters function to determine the organisational activities. Moreover, despite McGrath's declaration that concepts such as core competences are no longer relevant, her argument is about the creation of a new organisational capability – of continuously releasing underperforming resources and seamlessly managing the associated change.

The final point of interest is that the research does not show how leaders manage the interface between exploration and exploitation and resolve the tensions created, a point noted earlier in the context of the public sector management literature on collaborative innovation. This may be a detail too far for the academic literature, but it is just this sort of detail, along with the detail of management information systems that enable corporate leaders to continuously form and disband project-based (innovation, policy service delivery) teams, on which successful public sector management depends.

6.5 Distinctive features of the public service

There are many factors that can influence the design of public service organisational structures. The different conceptions of governance may in turn result from ideas about how governments might best execute the

role of the state. RAW Rhodes, for example, points to an array of different narratives of this relationship between the state and its associated form of government and governance (Rhodes 2017). Each such narrative carries with it a different concept of the state, its relationship with civil society, the role of government, the underlying mechanisms through which government is delivered and, consequently, the role and organisation of the business of public administration. Beyond that, it can be viewed as ranging from institutional settings down to the manner in which the government expects the public service to operate.

The breadth of associated organisational possibilities can be appreciated by (re)considering Table 2.3 and the outline of the differing governing structures associated with the five models of governance noted. At the level of the relationship between government and governance, the necessary choice is one of directly managing the mix of hierarchies, markets and networks variously associated with these models, and blending the associated organisational design options.

The underlying narrative is one that sees the hierarchical structure of management continuing to be in evidence, with the role of government being both to establish the policy agenda, and choose the balance of hierarchies, markets, and networks through which this agenda is delivered. This narrative underpins the discussion of performance measurement, which sees measurement of service outcomes as central to the delivery of 'good government', rather than measurement of network management or facilitation as the deliverable for government, though each option has a place within the diverse business of public administration.

A commitment to the Weberian model is common in departments such as defence and foreign affairs, however, the social and human services field employ a mix of all models (through to anarchic governance) overseen by a core of Weberian bureaucracy. And, even within individual departments, there is a mix, although the overarching structure is likely to be hierarchical. Whilst governments are evolving towards 'looser' forms of governance, much of what is in place is a legacy of the philosophy of hierarchies, markets, and networks, and can only be reasonably judged on that basis. If judged as poor, however, it would provide an argument to embrace a new narrative of the relationship between the state and civil

society, such as those identified by Rhodes as networked governance, meta-governance, and decentred governance.[7] New organisational design implications would follow.

The technical design principles that relate to the mechanics of organisation design, including number of layers, span of control, and the stacking of functions, exhibit no obvious differences between the public and private sectors. Certainly, the public service is more prone to layering and narrow spans of control than the private sector. In looking at the environment within which the public service operates, however, significant differences are observable, which impact both on the primary design of public service organisation, and its ability to adapt to change.

The first thing to consider is the legislative setting. In many industries, the role of government is important – in setting the rules of the game, in regulation and in support – making policy settings a central factor in strategy and organisational design for individual businesses. In the case of the public service as a player in the business of government, it is clearly the most important factor. As such, the Public Service Act is critical to defining the role of the public service in Australia and the structures (and players) through which public services must be provided.

One direct (but not necessary) consequence is that there is currently no parallel to the private sector roles of board and 'head office', and there are important missing structures and elements of leadership, management, and accountability, including good governance and the practice of strategy. The public service is thus less able than it should be to place pressure on governments to pursue allocative efficiency and continue to make conscious and informed choices about the portfolio of policies pursued. Rarely, for example, do governments determine that they should withdraw from particular markets, a necessary part of maintaining a well-balanced portfolio of activities, at best fiddling at the margin with the classes of customer served by particular products and the level of service delivered. This lack of a culture of systematic portfolio review and change is likely to be mirrored in rigidities in public service organisation and

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7   An interesting question in this regard is: where is the private sector headed? Certainly shareholder and community activisim are growing challenges for private companies but, interestingly, are pulling their boards in different directions, the former towards better financial performance (as perceived by the stock market) and the latter towards a stronger focus on non-shareholder stakeholder groups and 'non-financial' performance. If and until the stock market evolves towards a more holistic assessment of company performance this divergence seems likely to remain.

practice, where resources are 'owned' at the program and departmental levels, held hostage in McGrath's terms, further limiting prospects for whole-of-government allocative efficiency.

Another element concerns the rigidity of the structures (and underlying philosophy) imposed by the Public Service Act. Clearly, the Act prescribes the key public service structures and the importance of these structures is not that they prevent change – clearly some change has occurred over recent decades – but the undivided focus on the department as the primary entity within the public service and the individual secretaries as the key players is the source of important shortcomings. There is nothing necessarily ineffective about such a divisionalised structure, rather its major shortcomings are related to the missing additional management and leadership layers.

The present departmental structure, if complemented by board and corporate layers, could drive an effective public service. The placement of a collective management (as opposed to leadership) structure at the apex of public service organisation inhibits cohesion and, importantly, adaptation to change within its own ranks. 'Stability' is often claimed to be one of the more important contributions of the public service to government but stability of organisation should not be confused with stability of purpose, the latter able to accommodate (ongoing) change in the former.

Prescribed organisational form and stability in the public service is material. There are interesting ongoing developments in private sector literature and practice embracing such related notions as the ambidextrous organisation, exploration and exploitation, and design thinking.[8] Each of these concepts, along with that of collaborative innovation, offers a means of systematically addressing the challenge of a rapidly changing operating environment. And, whilst none of the alternative structures proposed in the private sector organisational literature may necessarily be blocked by the wording of the Public Service Act, and certainly not by any government intent on changing the Act, the underlying philosophy of the Act, its establishment of a master/servant relationship, and the practice of government permitted by the Act, militate against innovative public service activity. A departmental head seeking to build a more

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8   Pioneers in this field of thought of flexible organisation design are Burns and Stalker (1961) and Lawrence and Lorsch (1967).

creative and productive climate for his team through experimentation with organisational form – for example, working out how to achieve the benefits of integrating the standard Weberian structure with the benefits of the free-form 'organic' structures – would certainly not feel enabled in the present climate.

Beyond the impact of the formal establishment of public service structures, the government's installation of a formal set of values, code of conduct, and employment principles has an impact both on what the public service does and how it plays its role. Consolidating this and considering the business that the public service is in through private sector eyes reveals a service industry business with a dominant customer, competition for this customer's business (the terms and conditions of which are set by the dominant customer), and no rights to compete for other business. A focus on structures and process is also observable, and an associated absence of clear goals and outcomes. This is not the ideal environment to enable a public service to deliver value to the Australian public.

It is the regulation of competition by government and the prescription of public service structures and conduct that makes difficult the achievement of both the most suitable organisational options for the time, and public service adaptation to a changing environment.[9] These legislative constraints are reinforced by governments showing no interest in good organisational design principles – despite their responsibility for the largest business in the country – and only occasionally does the government's interests and those of good public service organisational design collide; for example, with the rationalisation of back-office functions. Ironically, and if a growing collection of auditors-general reports at state and federal levels is to be believed, this is where public administration in Australia is at its weakest.

Secondly, and material to the structuring and operations of the public service, is the institutional environment within which the public service operates. One such element involves the existence of and roles played by

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9   A specific example of government regulation of public sector competition is the establishment of the Australian Government Lobbyists Register and the restrictions placed on former politicians being involved in such activities. It is arguable that this has had the effect of legitimising rather than regulating this activity; perhaps a not unintended effect? Any attempts to open up government policy decisions to watchdog and integrity body decisions should start here. Judging by the number of registrants – over 500 – it must be big business. For a systematic assessment of codes of conduct in Australian and overseas parliaments, see McKeown (2012).

various watchdog and integrity bodies reporting directly to the parliament: bodies such as auditors-general, ombudsmen, and anti-corruption commissions. These bodies perform important audit functions in regard to public sector activity, but they also have an impact on the public service organisational form by playing an important role in public sector governance. The acquittal of the government governance function by the public service at the national level might be more effectively undertaken if this responsibility lay directly with the public service, and indeed were assigned to it by legislation.

A third and related institutional difference between the public and private sectors is the accountability frameworks. Whilst public and private sectors work to similar accounting standards from a record keeping perspective, the organisational focus on both achieving and demonstrating performance varies substantially from one to the other. Public and private sectors can account equally for their compliance with the laws of the land; however, the private sector's bottom-line focus on profitability and cash flow creates cohesion in the performance component of accountability that is notably missing from the activities of government. In addition, as corporate regulator, ASIC is active in enforcing appropriate standards of private sector governance, whereas the public sector equivalent – the Auditor-General for Australia – has no such enforcement powers.

A fourth feature that may produce different organisational responses is differences in the market environment within which they operate. Top of the list in the case of the public service is the difficulty of placing neat organisational boundaries around the delivery of solutions to public sector clients. The complex nature of many public policy problems (absence of data, problem and solution definition, integrated service delivery), along with the diversity of stakeholders (clients, citizens at large, community organisations), a number of which lie outside the transaction path for the assembly and delivery of service-based solutions, mark public administration activity out from much of the private sector equivalent.[10] This is a differentiating feature of the demand side of the market for government services. The consequence of this feature is that it requires a standard level of cooperation between the operating units

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10   One example of the application of the concept of wicked problems to private sector activities involves the recognition that they exist in urban architecture, and that the architecture profession must 'redefine and release its potential for problem-solving and innovation within a new economic, societal, and ecological context' (Delft University of Technology 2015).

(the government departments) that appears to go above and beyond that required in the private sector (the divisions). This difference is amplified by a strategic approach to the identification of horizontal synergies in the private sector matched by corporate leadership in securing these synergies and overcoming boundary difficulties, by contrast with the public sector where horizontal coordination is supported neither by the culture nor a readily available toolkit.

The final element of difference is what might be described as the 'publicness' of the business of government that the public service executes on its behalf. This can best be understood in terms of the central players – the government and the public service – as well as the role of government, and the characteristics of public services. From an economics-based view of the role of government, its activities can be described largely as a combination of public goods (those which are non-rivalrous and non-excludable in consumption) and merit goods (excludable and rivalrous in consumption, which governments feel people will under-consume if privately supplied). Then there are the choices to be made about service delivery. As described by Williamson (1999), some of the important characteristics that determine whether particular government services should be delivered by the public or private sectors include asset specificity, privacy and probity. He argues further that when the problem of incomplete contracting arises – such as in the irregular nature of transactions being contracted – the case for public service delivery is stronger.

As a package, this set of differences between public and private sectors spans product and market characteristics, the legislative and institutional settings, and leadership and management. These differences constrain the role of the public service, limit the nature of competition in its markets, and restrict its ability to adjust to changing political, societal and market circumstances. Clearly, the public service could, at best, be considered a partner in its own fate with far fewer degrees of freedom of action than its private sector counterparts. In this sense, it has the freedom of operation that might be likened to that of a franchisee, where the products, markets, budgets, and earnings are largely determined by the franchisor, and it is on the quality of the execution of a limited and clearly defined range of tasks that 'success' depends. The question is whether this position really is in the public interest? Could the Australian public benefit if the APS had more such degrees of freedom?

In the face of a list of differences such as that above, it is important to recognise that most of them are matters of degree rather than principle, and that they do not necessarily demand the prescription of a different style of public service leadership and management. In the private sector case, whether a franchisee or franchisor, a small business or a big business, a service industry business, a miner or a manufacturer, all such businesses will have goals, shareholders, capital at risk, stakeholder management plans, and a number of degrees of freedom, some more than others, as determined by industry and market conditions and the regulatory environment. The public sector is no different in principle, whether a public corporation managing its financial capital, or a government department managing its reputation and influence, all such businesses and other organisations – public or private – should have a plan built around the elements noted above if they are to encourage effective whole-of-organisation pursuit of defined goals.

Certainly, the public service operates in a regulatory/institutional environment that is different to that faced in the private sector, with the obvious and central difference being that public sector organisations are subject to political direction and control that, as Naomi Chambers and Chris Cornforth (2010) point out, constrains the capacity of governing bodies to steer their organisations and leads to consequent differences in governance arrangements. The basic dictates of good strategic management are no less applicable because of it: know your customers, markets, and your competitors, and know yourself.

The public service operates in an environment with a number of important, distinctive features, but there are no reasons inherent in the public service that dictate that it should not be strategically managed and organised according to best private sector practice. The fact that governments choose not to see it in these terms leaves the APS and the Australian public all the poorer. An interesting exercise for APS leaders would be to seek out the unexploited degrees of freedom and see what might be done within the existing Act and institutional settings.

6.6 Organisational design in the public service

6.6.1 A whole-of-organisation approach

Lam's survey of the development of the alternative organisational forms in the private sector literature indicates a flourishing variety of options developed from the 'one best way' of the early years to several different forms addressing dominant environmental themes. These themes and the resulting organisational forms might be regarded as alternatives, but the various themes underlying these structures may be relevant for individual organisations, with the challenge being to blend and stack organisational forms according to the dictates of the local operating environment.

Mintzberg's framework for viewing alternative organisational forms was designed four decades ago to answer the question of how organisations structure themselves and it provides a simple way to view the design of all organisations, large and small. Mintzberg provides a whole-of-organisation approach within which the themes relevant to the public service can be considered. His primary interest was not the hierarchical nature of the structures, rather the way in which the various parts of an organisation fitted together and functioned (Mintzberg 1979).

Originally setting out to publish a survey of the organisational literature, Mintzberg saw the opportunity for a synthesis, establishing his framework around what he saw as the two fundamental opposing requirements arising from the organisation of human activity – the division of labour into various tasks, and the coordination of these tasks. In this light, the structure of an organisation can be simply defined as the total of ways in which it does this. In developing a set of organisational models around this simple notion, Mintzberg considered a range of factors including basic work and information flows, formal design parameters, and contingency factors (context), but settled on a suite of models described in terms of: (a) the way in which work was organised around its basic parts or functions, and (b) the coordinating mechanisms employed. He described all resulting organisational forms in five basic parts: the strategic apex, the middle-line managers, the operating core, the technocracy, and the support team.

The strategic apex comprises those people charged with overall responsibility for the organisation, including the chief executive manager and any others whose concerns are global. Mintzberg describes its three sets of duties as, firstly, direct supervision including the design of the structure, resource and people allocation, disturbance resolution, transmission of information to employees, and leading and rewarding staff. The second set of duties involves the management of what Mintzberg called the organisation's 'boundary conditions', its relationship with its environment – acting as spokespeople, liaising, and monitoring. The third set relates to the development of the organisation's strategy. He viewed strategy as a mediating force between the organisation and the environment, and strategy formulation as involving the interpretation of the environment, the development of consistent patterns in streams of organisational decisions, and the maintenance of a pace of change that was responsive to the environment but not disruptive to the organisation.

The operating core contains the workers who perform the basic tasks of the organisation whilst the middle-line managers form a chain joining the strategic apex to the operating core. The technostructure designs, plans, changes the work of others and may train the people who do it, but do not do it themselves. The support staff is composed of specialised units to aid the organisation outside the operating workflow. Essentially, the strategic apex, the middle line, and the operating core is the spine of the structure with the technostructure comprising the analysts who design the work flow, change it, and train people to do it. These are the five basic parts of any organisation, varying in relative size depending on the scale and content of the business.

In association with the five basic organisational parts, Mintzberg identified five coordinating mechanisms, considering them the glue that holds organisations together. The first of these, mutual adjustment (the foundation for the organisational model of adhocracy), works on the basis of the organisation's specialists adapting to each other along their unchartered route. It is a simple coordinating mechanism but works best in the most complicated and simplest of circumstances. The second is direct supervision (the foundation for simple structure) where one person takes responsibility for the work of others. Work can also be coordinated without mutual adjustment or direct supervision; i.e. it can be standardised. This may take any of three forms – standardisation of work

processes (the foundation of machine bureaucracy), standardisation of outputs (the foundation of the divisionalised form) or the standardisation of skills (the foundation of the professionalised bureaucracy).

From this analysis, Mintzberg developed five models – simple structure, machine bureaucracy, professional bureaucracy, divisionalised form, and adhocracy – which remain a useful framework by which to consider any organisation. Table 6.2 presents the five organisational models, showing the correspondence between the coordinating mechanisms and the emergent models.

Table 6.2 Mintzberg's coordination mechanisms and organisational models

Coordinating mechanism	Simple structure	Machine bureaucracy	Professional bureaucracy	Divisionalised form	Adhocracy
Mutual adjustment					X
Direct supervision	X				
Standardised work processes		X			
Standardised outputs				X	
Standardised skills			X		

Source: Mintzberg (1979, Part IV, especially chapters 17–21).

The simple structure has little or no technostructure or support staff, a loose division of labour, and a small managerial hierarchy, with coordination undertaken by direct supervision and centralised power. This structure is common to the formative years of most organisations where the future cannot be predicted nor activities standardised.

The machine bureaucracy has highly specialised, routinised operating tasks, formalised procedures, a proliferation of rules and regulations, large operating units, relatively centralised power and an elaborate administrative structure. Such organisations are commonly found in stable environments, with the managers in the strategic apex concerned with fine-tuning their bureaucratic machines.

The professional bureaucracy relies for its coordination on a standardisation of skills, which often originate outside of its own standards (set by various professions), and considerable control over work is accorded to the operating core. The individual professions inside and outside of the organisation generally develop organisational strategies.

The divisionalised form is composed of semi-autonomous units. It is a mechanism to control and coordinate a large conglomerate with horizontally diversified products or services and a stable environment and may be regarded as a structural derivative of the machine bureaucracy. It is not an integrated organisation but rather a set of quasi-autonomous entities, each division having its own structure, coupled by a central administrative structure ('the headquarters'). In its top level, it is driven by market groupings.

The adhocracy comprises a highly organic structure with little formalisation of behaviour, job specialisation based on training, and reliance on mutual adjustment as the coordination mechanism. Managers abound but also perform as members of project teams and the distinction between line and staff disappears.

It is useful to note that elements of Mintzberg's framework remain pertinent today and relevant to a consideration of public sector structures.

These are:

- the inherent complexity but simple logic
- the whole-of-organisation nature of the models, whilst pointing to the likelihood that any organisation contains elements of each of these models at a point in time
- the balance achieved between the use of formal and informal structures
- the evolutionary nature of organisational form; the tendency for each of the organisation's five basic parts to pull the organisation in its own direction
- the role of context (what Mintzberg called 'contingency factors').

How can these five models be applied to the structure of the public service today?

When Mintzberg turned his mind to the relevance of these organisational forms to the public sector, he saw 'government' primarily as a combination of the divisionalised and machine-bureaucracy forms, observing at

the time that government could be likened to a giant divisionalised organisational form with departments and other agencies exercising considerable autonomy but with 'the central administrators' residing in 'the headquarters' of this divisionalised organisation, concentrating on exercising budgetary control over its bureaucratic forms, performance monitoring, and the recruitment and training of its people. Mintzberg further noted that the divisionalised organisational form worked best where the divisions were organised along machine-bureaucracy lines with standardised 'outputs' lending themselves to ready monitoring and control by headquarters (see, for example, Mintzberg 1979, p 402).

The public service exhibits a number of features of the multi-divisionalised form – it is established as a set of quasi-autonomous entities (departments), with each department having its own structure coupled with a loose central administration, with its top-level structure driven by market (customer) groupings. There is also a set of central administrators – the group of central agencies – exercising budgetary control, monitoring performance and focused on the development of the workforce. And, within this overall structure, the divisions (departments) are commonly organised along machine-bureaucracy lines, certainly at their senior management levels although, below this level, other of Mintzberg's organisational forms may exist according to the context.

The machine-bureaucracy model continues to describe large swathes of public service activity because the operating environment has been relatively stable, and even changes of government and ministers, and the occasional discontinuity in the marketplace, have not necessitated organisational change, with changes in activity often taking place at the margin and the organisational structures at worst being 'fine-tuned'. In some cases, whole departments may be organised along these lines, while in others there may be a mixture of structures with the hierarchical, machine bureaucracy sitting atop it all.

Australian Government departments such as Treasury, Attorney-General's, Foreign Affairs and Trade, and the various elements of the Education and Training portfolio, most closely match the whole-of-department machine-bureaucracy model as individual organisational (divisional) units. Other parts of government more closely represent a professional bureaucracy in which aggregations of professionals perform specialised tasks, for example CSIRO, the Australian Competition and Consumer Commission, and the Productivity Commission. Similarly, an adhocracy

and simple structures may well be present in small part across a range of government departments but, as with the professional bureaucracy, they are more likely to exist at lower organisational levels within larger structures organised around the machine-bureaucracy model. Indeed, I suspect it would be difficult to identify other than small pockets of public service activity organised in any other way.

Even where some departments find their names changed and programs regularly shuffled around, the machine-bureaucracy model continues to dominate. And, at the whole-of-public-service level, the multi-divisional form, where the departments comprise the divisions, continues to hold sway. Perhaps the one difference that exists today following the aggregation of (former) departmental activities into super-departments is that a number of these large departments are themselves multi-divisional forms. What remains a clear point of difference between the public and private sector versions of this organisational form, however, is the existence and role of the corporate headquarters.

Such a 'headquarters', if it exists in the APS, does so in virtual form, with 'the central administrators' comprising the Department of the Prime Minister and Cabinet (PM&C) (whole-of-government coordination), Treasury and Finance (economic policy, budgetary control and monitoring of financial and program level performance), and the APSC (focused on workforce matters), with the Secretaries Board playing a limited project-based supporting role. Regarding such structures from a corporate strategy rather than simply organisational design perspective reveals the absence of a variety of leadership and support functions – in Minztberg terms, components of the strategic apex – and both the centralised technostructure and support staff. What is largely missing today is a centralised strategic management and leadership role played by a dedicated headquarters group, and the direction setting and governance of a board.[11]

A question to explore is at what cost these organisational elements are 'missing'. Clearly they are missing by government design, and this is because successive governments have seen this to be to their advantage. An important focus for these missing leadership and management layers in the

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11   Mintzberg's organisational design focus was primarily management; he did not concern himself with the role of the board role.

private sector is that of adaptation to a changing environment, a subject that could be argued to be the dominant theme in the organisational design literature of the last 20 years.

6.6.2 The role of corporate headquarters

6.6.2.1 Mintzberg

Mintzberg describes the top organisational layer as the 'strategic apex', comprising those people charged with overall responsibility for the organisation, namely the CEO, other top-level managers whose concerns are 'global', and support staff. The strategic apex has three sets of duties: direct supervision, management of the organisation's boundary conditions and its relationship with its environment, and the development of strategy.[12]

Mintzberg describes the role of strategy as mediating between the organisation and the environment in pursuit of the organisation's mission, with strategy formulation involving the interpretation of the environment and the development of consistent patterns in streams of organisational decisions ('strategies') to deal with it. Importantly, he sees this responsibility as including both the maintenance of a pace of change that is responsive to the environment and a need to review the organisational mission (its fundamental purpose) from time to time. He further notes that other parts of the organisation might play an active role in strategy formulation but that the strategic apex has the most important role.[13]

Whilst giving considerable attention to fleshing out his five organisational models, Minztberg devoted most attention to the divisionalised form, reflecting his observation that the vast majority of the Fortune 500 at the time – remember this is 1979 – were (and indeed still are) so organised. In this model, the divisions run their own businesses, determine the strategies for the markets that fall under their responsibility, and control operations. Headquarters shares in the setting of divisional objectives, undertakes whole-of-organisation planning, determines basic human

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12 There is no universally agreed list: others might describe these functions today as leadership, planning, and supervision.

13 In later writings, Mintzberg made it clear that he saw the importance of the central role as one of organising, with the content of strategy being the prime responsibility of the divisions. See Mintzberg and Waters (1985). This issue – of responsibility for the content of divisional strategy – is much debated in the literature. See, for example, Martin's criticism of the practice of strategic planning in this regard (Martin 2013).

relations policies, finance and accounting systems, and determines budgets. In his discussion of the functions of headquarters, Mintzberg concentrates on six responsibilities:

- the formation of overall product-market strategy (including strategic planning)
- the allocation of financial resources (including the setting of divisional objectives)
- the design of the performance-monitoring system
- appointing divisional managers
- monitoring divisional behaviour on a personal level
- providing support services to all divisions.

At a general level, the corporate office role in organisational coordination and leadership described by Mintzberg might involve building a portfolio of businesses with a common dominant logic and the promotion of unity through the creation of a common set of values and beliefs to create a unifying corporate culture. In business unit strategy formation, Minztberg proposed a 'hands off' role, arguing that the primary responsibility for the formation of divisional strategies lay with the divisions, with corporate office probing, appraising, amending and ultimately approving, unless there was divisional relatedness of a strategic or operational nature, when the role for corporate office should be one of joint formulation (Mintzberg 1979, p 404).

6.6.2.2 Chandler and Williamson

Through the work of Chandler and Williamson, the divisionalised organisation became the private sector organisational form of choice for strategy execution during the expansionary decades of the 1960s and 1970s (Chandler 1962; Williamson 1970). Following Chandler's lead, Williamson developed and popularised the case for the divisionalised corporation, noting the limitations of the functionally arranged (U-form) organisation (a common public service departmental organisational form then and now), and the advantages of the multi-divisional (M-form) organisation.

As noted earlier, Williamson described the inefficiencies of unitary form organisations in terms of managerial discretion ('sub-goal pursuit') and what he saw as the inevitable control loss in large organisations. But his major contribution focused on removing the organisation's chief executive

(whom he called the peak coordinator) from day-to-day involvement in the decisions of the various functional activities within the unitary form, enabling him/her to focus on strategic decisions and the overall organisational performance of the divisionalised form (Williamson 1970).

Williamson wrote of 'the general office' attached to 'the peak coordinator' and 'the elite staff', a 'team of top executive specialists' removed from operating matters, employed in this office dealing with strategic matters with the peak coordinator. By focusing the efforts of the divisions on competition and competitive positioning in their markets and allowing greater specialisation at the level of the customer/product/market, Williamson saw the opportunities for (managerial) sub-goal pursuit diminished, with the decentralisation of authority for these markets as diminishing the impact of control loss in organisations with a substantial product/market portfolio. He further argued that this raised the maximum effective organisation size – which he expressed simply in maximum span of control and number of organisational layers – by an order of magnitude but noted that he expected the same size-based inefficiencies to be encountered further down the road. And he expressed interest in the next generation of organisational innovations to address this limitation. Whilst Williamson's views were not so much competitive with those of Mintzberg as complementary, the same could not be said for those of Michael Porter and Robert Grant.

6.6.2.3 Porter and Grant

Writing shortly after Mintzberg, Porter observed that by the 1980s the pendulum in regard to the role of 'headquarters' in the multi-divisional organisational form had started to swing back towards active intervention in the business of the divisions. He saw this as following several failed decades of attempts to extract synergies at the corporate level to justify the conglomerate mergers of the time, on which foundations many of the multi-divisionalised corporations of the day were built. These mergers had been a particular feature of corporate America since the 1960s, built on the premise that the aggregation of diverse businesses offered corporate-level synergies based on scale in areas such as cheaper finance, currency management, risk management, and generally diminished overheads (Porter 1985). Porter, however, saw the benefits of a corporate headquarters, not so much in terms of benefits derived from economies of scale at the corporate level, rather in the active creation of synergies across divisional boundaries – what he called horizontal strategy – and the formation of external partnerships.

Grant (1995) provides a third and later view of the role and functions of 'headquarters'. He examined this role within the context of a divisionalised multi-business corporation and the separation achieved between strategic and operational management. He grouped the functions and responsibilities of 'corporate management' into four areas:

- managing the corporate portfolio of businesses and the resource allocation between them
- participating in strategy formulation at business unit level
- providing coordination between the different businesses
- controlling performance.

There are subtle differences between Mintzberg's, Porter's, and Grant's views of the headquarter's role, perhaps reflecting the evolving corporate context, with Porter and Grant clearly seeing a more active role in the divisional businesses than Mintzberg and, in particular, placing greater emphasis on the corporate office coordination role.

6.6.3 The strategic role of corporate headquarters

The academic study of organisation has highlighted the relationship between organisational structure and strategy in that some structures will be more effective than others in delivering an organisation's strategy. This linkage is important in a public sector context, as it is the corporate headquarter's role to develop and manage this strategy and follow through its organisational consequences. The evolution in private sector organisational form responded to market opportunities and changed strategic objectives can be traced back to the middle of the 20th century. It is clear, however, that while there is a developing literature addressing the structural and management challenges of balancing exploration and exploitation, experimentation in this regard is taking place within the context of the dominant divisional organisational form.

Table 6.3 draws this discussion together in a somewhat stylised form by linking the changing strategic objectives of business with the consequent organisational form employed and identifying the changing role of the corporate office. Whilst the timing of the phases is indicative at best – as with our discussion of timing with the models of governance – this table indicates the stability in the dominant private sector organisational form, and the ongoing changes within it, in the ambit of the head office role and the distribution of authority between the business units and head office.

Table 6.3 The evolution of the role of the corporate office
and organisational structures

Strategic objective	Corporate office role	Approximate period	Organisational form & evolution
Address separation of ownership from control. Run profitable business for owners	Leadership and stewardship Manage organic growth Governance	19th/20th century up to today for non-diversified and smaller businesses	Functionally organised (U-form)
Expand business by creating a vehicle within which to hold purchased companies	Build a portfolio of companies Report on a consolidated basis	Up to 1950s/1960s	Holding company with autonomous subsidiaries
Build a diversified business to gain corporate economies	Extract corporate synergies; eg, finance, risk, and purchasing	1960s/1970s forward	Multi-division (M-form) with largely autonomous divisions
Capture horizontal (inter-divisional) synergies	Actively create synergies between divisions as justification for diversified business	1980s/1990s forward	Multi-division (M-form) with more active head office involvement in business
Build formal alliances at corporate and divisional levels	Build formal alliances with third parties at corporate level and assist divisions	1990s forward	Multi-division (M-form) with a wider divisional brief under corporate leadership
Open up the organisation to outside influences. Focus on organisational learning and continuous change	Encourage formation of formal and informal alliances across all organisational levels. Develop accompanying structures and management tools	2000s forward	Multi-division (M-form) with new accompanying adaptive structures and processes

6.6.4 Implications for the public service

Just as with the models of governance in the public sector, the underlying organisational model for large corporate activity has not changed for some four or five decades. Change in the private sector has been achieved through the redistribution of authority through an integrated two-way strategic approach between head office and the divisions. Head office is responsible for whole-of-entity direction and governance, the divisions having similar responsibility within their product/market domains, and with head office being primarily responsible for creation of the horizontal strategies that today are sought as the primary justification of such collective activities, along with the usual corporate synergies. What the public service and the private sector have in common in this regard is

stability in overarching organisational structures. The central difference, however, lies with the effectiveness with which the two can respond to changing circumstances, with recent unsuccessful public service attempts to achieve whole-of-public-service responses to environmental change.

The NPM (re)organisation of the public sector around products and groups of services with performance measured by related output measures mirrored the first phase of private sector decentralisation of management, with departments placed at the apex of public service organisation and activities strongly focused on results (through output measures) in their own activity areas. The addition of whole-of-government strategic objectives shared amongst ministers was designed to balance the agency-level focus on their own activities with a shared responsibility for whole-of-government outcomes.

This attempt to share the government's strategic load through ministerial-level strategic objectives, in the absence of any detailed performance measures, resource allocation, and effective whole-of-government business plan, was always unlikely to deliver an effective whole-of-government strategic focus. Governments have moved on to develop a more networked style of public administration but, as a succession of national and international audit office reports have noted, this has also met with limited success, given that distributed government has not been underpinned by upgraded accountability and performance measurement mechanisms.

6.6.5 An Australian perspective

John Halligan (2011) noted evidence of five empirical models of the central steering role, ranging from a traditional integrated hierarchical model that is grounded in traditional public administration and emphasises transactional control over operational and delivery matters, through to a strategic governance model emphasising strategic planning and priority setting.[14]

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14   Many criticisms are levelled at the concept of 'strategic planning', including its not uncommon description as an oxymoron; for example, by Garratt. In my experience, it is a term best avoided because it combines two inconsistent notions, namely strategy and planning. The objective of strategy formation should be to explore the viability of an organisation's fundamental purpose and its positioning to meet this purpose. Its objective is to explore the unknowns about businesses, markets, customers, products, and technologies, whereas the usual objective for any 'planning' exercise is to roll out what *is* known, commonly in financial terms. Planning for the execution of a confirmed strategy should follow its determination, but the strategy formation and implementation planning activities are separate and different processes. Where use of the term 'strategic planning' may be warranted is to denote part of the strategy formation process associated with the systematic exploration of the future, using such techniques as the Delphi method or scenario planning. But it is rarely used in this context and better avoided as a consequence.

In commenting on the Australian experience from a whole-of-government (including inter-governmental) perspective, Halligan noted that the general pathway of central steering has displayed features of all five models over a period of 25 years, but against a tradition of a strong centre in Australian Government. This is underpinned by the central role played by PM&C, and government that has become more complex and challenging and subject to higher aspirations over the period.

Halligan pointed to considerable reform following the introduction of NPM principles and practices and the development of 'a complex array of instruments across a broad range of key policy sectors and intergovernmental relationships', adding up to 'a formidable apparatus for steering and reviewing strategy and performance' which he equated with his high-end model of strategic governance. He noted at that time (2011) that the effectiveness of central steering under the strategic governance model could only be determined 'in the medium term'.

Indeed, in light of the questions already raised in this book on the operations of the national government and the APS, one could easily conclude: (a) that, if indeed a formidable apparatus had been assembled, it could hardly be judged a success today; (b) that this 'failure' is substantial enough to question whether indeed the apparatus was of a high-end model; and (c) given the observed failures in government governance, whether the range of governance models considered should have more obvious regard for the corporate equivalent. The real question is whether an historical view of the role of the centre in public sector life is an adequate yardstick by which to measure public sector governance. Indeed, I argue that the private sector would be a better public policy yardstick than own sector historical performance.

As noted, models of organisational design can be constructed around a mix of structural and contextual factors and, in addition to describing organisations in terms of layers, span of control and stacking of relationships between lines of business and/or functions, organisations can be described holistically in terms of their culture, their informal social networks and derived behaviours. Organisations can also be seen as a set of administrative systems and associated processes and an associated set of information technology systems that facilitate the information flows from these systems and processes; a family of functions and the associated skill sets at work; or, following Mintzberg, various collaborative mechanisms at work.

Halligan's chapter is a reminder to look to other (contextual) factors to explain organisational performance on a case-by-case basis. There may well be a formidable apparatus in place to steer whole-of-government strategy and performance, but if the organisational incentives and behaviours are not aligned with strategic and operational priorities – a common public sector problem – then 'the right' organisational structure will be of little value (See Halvorsen et al. 2005). As noted in Chapter 4, the designers of the Public Service Act may well have had good intentions in regard to independence of public service advice, but there is no protection for such public service action in the face of government indifference or hostility: on the contrary, unwelcome advice may readily be blocked and public servants shown the door (after due process of course). The UK National Audit Office report (NAO UK 2014) also invites consideration of incentives when collegiate behaviours are not being exhibited by the central agencies. Inadvertently enabling the wrong behaviours can readily undermine intentions to extract the right behaviours.

Ultimately, these factors – ranging from the social, administrative and technology systems, to formal structures – contribute to organisational performance. Understanding formal structures and functions and how they fit together are a threshold requirement for good organisational performance. The NAO UK 2014 report highlighted the need for placing increased emphasis on long-term planning, greater cross-government integration, and the extension of central government leadership beyond matters of national security and prime ministerial support. This points to a structural solution.

Structures are useful for strategic (focus) and operational (linkages and systems) reasons, but also in signalling organisational priorities and intent. An integrated and aligned organisation invites collegiate behaviour in a way that no amount of exhortation within a fragmented structure is likely to achieve. In addition, a peak coordinator (and his/her office), free from operational responsibilities, is more able to devote time to the strategic direction of the organisation, signalling this throughout the organisation, and building the sorts of collegiate behaviour that contribute to success. The supporting organisational structures – the stacking of the various functions and the right representation on a variety of executive and management committees – importantly shapes how individual employees see themselves fitting in and their consequent behaviour: who they communicate with, what they communicate and, importantly, what they (can) expect in return.

This discussion of the role of 'the centre' in the public sector asserts that, at the global level, the department remains the central operating unit within government and individual department autonomy with limited leadership and oversight by 'the centre' is a substantial handicap in delivering good government. The absence of operational cohesion and corporate leadership denies the development of a sense of self in the public service, and denies the public service the capability of taking a strategic view of its role and activities.

When viewed on a comparative private sector basis, the standard executive committees of senior public servants (such as the UK Civil Service Board and the Australian Government's Secretaries Board) established to provide strategic oversight of the implementation of government policies, do not have the skills (the relevant board experience), the time (having a full load of operational responsibilities with their departments), breadth of experience, nor the charter or the supporting resources, to devote to the sorts of high-level activities performed by the typical private sector board and corporate office. The quality of advice received by successive governments (and parliaments), the role and standing of the public service, and the quality of government received by the community, are all the poorer for it. A public service board and 'head office' is needed to develop the public service's strategic view of its place in government. This must centre around its role in the two pillars on which the existence of the public service role rests, namely policy formation and service delivery, informed by the triad of communities it must serve, a pre-eminent role in policy advice, a competitive position in service delivery, a role in legitimising government, underpinned by a systemic view of government that only it can provide. But this is not where it is at today.

The establishment of a strong centre comprising board and corporate office does not necessarily, however, effect a net transfer of power to the public service from the government. It might do so in the short term, and if the public service is to improve its contribution to good government, it must be given greater freedom to do so. It is not clear, however, that this additional freedom need be at the expense of the government of the day. Moreover, in the medium term, stronger government should result, through the impact of a more effective public service. Similarly, the establishment of a strong centre need not effect a net transfer of power from the departments to the centre as an effective 'centre' will enhance the strategic and operational capabilities of the individual departments.

The role of the centre is to see the business of the public service as a whole, to leverage the total business assets to deliver benefits through the departments, to leverage individual departmental assets to deliver advantages to the whole, to identify opportunities for and create inter-departmental synergies, and to appropriately frame the operating context ensuring that the departments are equipped with the tools and knowledge to respond effectively to their environments. The provision of global (versus local) market intelligence, the establishment of integrated performance measurement and resource-allocation processes, and the development of an integrated system of corporate and departmental memory are contributions from the centre that would strengthen individual departments and the whole public service. A well-resourced and dedicated centre will significantly strengthen departmental capacity to service ministers and improve their individual and collective performance.

6.6.6 A set of tasks for the centre

Whether 'the centre' of a business is described as its strategic apex, its headquarters, corporate office, peak coordinator's office, board plus corporate office or other; and whether its role is described in terms of direct supervision, setting the boundary conditions, and developing strategy; or leadership, planning and supervision, there are many such activities that could be undertaken by a corporate team free from operational responsibilities. The benefits of a dedicated head office team is the management of the organisation's portfolio of activities as a continuous process, and calibration of the whole-of-organisation capabilities, structures, and processes to pursue integrated decision-making across all levels consistent with stakeholder goals.

It is important to consider both the need for a strategic management capability and a core base of knowledge to underpin the associated strategic management decisions. The centre could undertake a number of supporting research tasks to build public service understanding of its business within an integrated, whole-of-public-service model (as described in Box 6.1). There is no more important capability in one's business than that of being able to think creatively about it. The curiosity to follow outliers in such research, rather than follow central tendencies, will almost certainly only come from those who know a business intimately rather than from those following a consulting brief.[15]

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15   Roger Martin provides a useful explaination of how success in medical research (into autism spectrum disorder) was achieved through a careful examination of outliers (see Martin 2009, pp 33–39).

Box 6.1 A set of research tasks for 'the centre'

1. Develop an integrated map of the wicked problems confronting the public service, showing the linkages between the various components and the impacts that they have on each other. (This could be worked through to and up from sets of pairwise departmental comparisons of operating overlaps and with external parties.)

2. Develop and promulgate a model of government governance that acknowledges the existence of cross-departmental and cross-sectoral participation in the business of government.

3. Establish a central research capacity to develop performance measurement concepts and techniques that underpin good government (and public service) governance. Treat the measurement of public value as a suitable goal and this task as a journey.

4. Develop an integrated management information and program performance reporting system building through process and output to impacts, outcomes and public value. Establish a standard departmental data architecture map linking the various required data sources with their collection, aggregation and distillation of the required governance monitoring and performance reporting reports.

5. Develop empirical foundations for a public service strategy to enhance its standing and promote the legitimacy of government through publication of its annual report, active stakeholder management, public service brand development and promotion, and the creation of public value, all in the public interest. Examine both public and private sector foundations for such a (public interest) strategy.

6. Establish an ongoing capability to research the academic literature and published evidence on alternative organisational forms and associated management models for individual departments and for the collective of departments. Examine especially the models of organisational learning and adaptation to change.

7. Research the impact of the overall size of the public service on its efficiency, and the impact of the number and relative sizes of the public service departments (and functions) on whole-of-public-service organisational efficiency. Examine notions of the determination of the efficient boundaries of organisations and the determination of organisational efficiency.

8. Examine the limits to outsourcing both from efficiency (cost and organisational design) and effectiveness perspectives. Examine the application to the public service of the underpinning notion that an organisation does not outsource activities associated with its competitive advantage.

9. Develop a methodology to measure the cost of governing and to track the unit cost of public administration.

10. Examine the applicability of the concept of investment (in people and businesses) as opposed to consumption, to the breadth of non-capital investment programs, and the conflicts between strategies of containment and resolution (and the consequent costs), from both decision-making and accounting perspectives.

11. Develop a stakeholder management model for departmental use embracing the government and its customers, parliament and the Australian public, and establish integrated customer relationship management systems at appropriate levels across the public service.

12. Examine the establishment of an integrated centre and divisional (corporate) market intelligence capacity to shape and complement the market intelligence gathered and the memory 'stored' at the business unit (departmental) level. Develop an integrated model for departmental and 'centre' use.

13. Develop a central capability to identify, capture, and diffuse best local and international practice (and best possible practice where applicable) in policy development and formation.[1]

14. Develop a companion model of public service governance.

[1] Walter Kiechel's proposal of the notion of best possible practice is consistent with his idead that strategy is change, and a case to be cracked, rather than simply replication of someone else's status quo (See Kiechel 2010, Chapters 1 and 2).

Box 6.1 is not intended to be a full set of tasks for a public service head office but rather within the five elements of the role of the public service: advises policy formation, manages service delivery, provides leadership across the public service, delivers government governance, and contributes to the legitimacy of government. A number of related projects may already be under way within the APS; however, what is missing is the systemic view and strategic management of the public service to which this set of centrally driven and managed research tasks would contribute by forming a strong research base to underpin an effective leadership role from the centre. Were an 'independent' public service board to be created, such research would be a starting point in the development of an appropriate strategy for the APS.

6.7 Conclusions

The academic literature suggests that some ground has been recovered in the field of public sector management following the less fortunate impacts on public sector capability and performance ensuing from the introduction of the NPM reforms. Developments in the fields of strategic and collaborative innovation are continuing, as are private sector developments in organisational form and strategy. The international quantitative evidence available, however, along with parliamentary committee and auditor-general reports, suggests that important public sector management issues remain. Increasing pressure to deliver government services through horizontal mechanisms reinforce these difficulties, as do the associated increasing focus on networks and community involvement in the business of government, and the poor underlying base of performance measurement.

Academic research and national audit office reports continue to report on performance shortcomings. Other reports prepared by major international advisory organisations (see, for example, UNDP 2015) deliver similar messages. This chapter has focused on the contribution to these shortcomings of public sector organisational structures and the design of a fit-for-purpose organisational architecture for the public service that serves the needs of public service strategy and the accountability requirements of good government. I argue that,

- Reliance on an organisational structure that places the department at the apex of delivery of government services and sees the public service contribution as simply the sum of individual departmental contributions severely limits the potential for good government (at best, the public service can make the whole equal to the sum of the parts).
- The absence of a strong centre providing leadership and support to the constituent departments:
  – substantially constrains the conception and delivery of a coordinated and whole-of-government approach on the ground
  – restricts the systematic collection, distillation and sharing of experiences across the public service in addressing common operating problems and thereby the formation of institutional memory
  – hinders innovation and the capacity of the public service to provide the oversight of government operations in line with consistent decision-making and sound government governance
  – denies the public service and the public at large the opportunity to benefit from a public service contribution to the legitimacy of government and protection of the national interest
  – further diminishes public service capacity to create and capture the corporate and divisional benefits that any equivalent private sector organisation would target
  – ensures the existence of many public services rather than one.

Organisational structures are given life by the combination of the parts that are assembled and the linkages established between them. This is a package and the absence of any of the organisational pieces or associated linkages has downstream consequences for organisational performance and accountability.

In Australia's case, the absence of an integrated public service plan and associated reporting process, the absence of public service competitive strategy and competitive positioning, the presence of national audit office reports pointing to ongoing whole-of-government coordination difficulties, as well as published comments made by successive public service heads, support the view that there is an absence of an effective high-level and strategic public service leadership. This absence can be explored through the respective roles and structures of 'headquarters' in private sector organisational structures and its counterpart in the public sector, 'the centre'. I have also pointed to the prospective value-adding role of an independent board.

The public service lacks the strategic leadership evident in the structures and practices of equivalent large corporate entities, and this absence is attributable to a limited conception of the role of the public service, both by the government and public service itself. This 'limited conception' by successive governments is a deliberate strategy to constrain the substantive role of the public service to one of public administration, mechanistically administering the government's program. The organisational structure in place involving the fragmentation of the public service is well designed to give effect to this strategy. The strategy was most likely conceived of as a grab for political control of the processes of government some 30 years ago, and in its organisational form chose to ignore prevailing developments in private sector strategy (a focus on horizontal strategies) and organisational structure (the evolution of the divisionalised form), the linkages between the two, and in the services required by customers (the continuing emergence of complex problems and the requirement for solutions not services).

In focusing on securing political control of government while ignoring the changing marketplace, this grab for power by the politicians of the day was arguably always going to fail the broader communities that they were elected to serve. The 2007–08 global financial crisis exposed many of these shortcomings, with governments unable to throw money at their (public policy) problems, having to make choices, but lacking the information and decision-making apparatus with which to do this. The cupboard is bare, governments lack big policy ideas and the will to execute them

and, because of this, voters around the world are impatient with their governments. It is not difficult to see the seeds of today's growing voter activism having been sown by the NPM reforms of the 1980s.[16]

Much of the discussion of solutions to this problem focuses on a different sharing of power between the government and the public service, whether prescribing a managerial role for ministers or reskilling the public service. An underpinning problem pointed out by Mulgan is that the pool of authority to be shared between the two is diminishing as trust in government declines and community activism rises. Attempts by politicians to retain their pool of authority leads to a reduction in the part managed by the public service. In this sense the political parties (governments) are continuing to become stronger at the expense of the public service, by default.

This also makes it difficult to find a solution to the present difficulties of government based on the transfer of some power to the public service, although inevitably the major shortcomings identified will inevitably involve more power for the public service. I believe that part of the answer should involve finding new ground, occupied by neither, on which to build a stronger public service. My proposal for an expanded role for the public service in promoting trust in, and the legitimacy of, government, is consistent with this view. Perhaps there is other ground than that which is already occupied – to be shared in the public interest?

In concluding this chapter on organisation, it is worth noting the reminder from Oliver Williamson that all organisational forms are flawed and that the choice is inevitably between flawed forms. Williamson also declares that, before declaring one organisational form to be inferior to another, the inevitably high costs of changing organisational form must be assessed. Some of these costs have been noted, however, more importantly, to develop public policy–based views of how the public service should be organised, it is important to understand the strategy the organisational structure is intended to execute.

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16   There is a biblical form to this wisdom 'as you sow so shall you reap' (Galatians 6:7). Thus lies the irony in seeing Australia's national politicians attend the annual non-denominational religious service that precedes the opening of parliament each year. Perhaps if they want His support they should heed His words.